MWBE

Minority and Women's Business Enterprises...

Mission

Grow and expand Lucent Technologies' global business by focusing on minority- and women-owned business enterprises (MWBEs) as a value-added strategy that exceeds customer expectations and creates competitive advantage.

Vision

Minority- and women-owned business enterprises (MWBEs) are a natural and integral part of Lucent Technologies' business environment that create differential advantage and contribute significantly to customer satisfaction and our business success.

Message From The Chairman

The past year has been an extraordinary one for Lucent Technologies. We launched a new company and positioned it for a bright future. As we consider the important work ahead, it is important that we continue to sharpen our focus on customers. We must employ every available resource to provide our customers with the communications technologies they need for the 21st century.

One of our most powerful resources is the Minority and Women's Business Enterprise initiative, which is a key reflection of Lucent's commitment to diversity.

The use of a culturally diverse supplier base throughout our entire business gives us a competitive advantage by helping us meet a number of key business initiatives, including cost containment, incremental sales, and enhanced customer satisfaction. In the following pages, you will learn how alliances with minority and women business enterprises helped Lucent Technologies meet the needs of its customers.

I congratulate everyone associated with the MWBE program on another successful year. The program exceeded its 1996 goal and achieved a six-percent increase in MWBE procurements over 1995. Those are notable accomplishments in view of the considerable time and energy our people expended in the launch of our new company.

As we build on the momentum of our first year, I urge all Lucent Technologies employees to make an effort to employ minority- and women-owned businesses when they need goods or services. Doing business with these highly qualified suppliers not only reinforces our commitment to diversity, it gives us a competitive advantage.

Henry B. Schacht



Message From The President

It is clear that alliances with Minority and Women's Business Enterprises offer Lucent Technologies a number of distinct benefits. They create innovative product offerings that contribute to unique customer solutions, increased revenue, and reduced costs. In addition, such alliances enable us to meet the MWBE participation requirements of our key customers.

This Annual Report reflects a shared commitment between our businesses, our corporate centers, and our MWBE suppliers to achieve our most important business initiative, satisfying our customers.

In 1995, Lucent Technologies purchased more than $750 million worth of goods and services -- approximately 8.6 percent of our total procurement -- from minority- and women-owned businesses. In 1996, we launched our program with the goal of increasing our direct purchases to 9.1 percent of total procurement.

I am pleased to report that our year-end results exceeded this goal. Our direct purchases stood at 9.2 percent of our total procurements, with MWBE payments of over $760 million. In addition, we implemented new approaches aimed at providing MWBE's with added opportunities for economic growth and participation.

As we move forward with our strategies and action plans to ensure Lucent Technologies' leadership in our industry, we must continue to focus our support on MWBE Business Development Initiative.

Congratulations on your achievements. Not only are your efforts Creating a Brilliant Future, they are providing an opportunity of a lifetime for many worthy, entrepreneurial companies.

Rich McGinn

Richard A. McGinn



MWBE

Creating a Brilliant Future

A New Beginning

Lucent Technologies is the direct result of such change. With its roots firmly planted in AT&T history, Lucent Technologies has emerged as a solely independent entity. The future holds a promise of abundant opportunities supported by our proud heritage, including opportunities for our MWBE suppliers.

As we embark on our 29th year of MWBE involvement, the new opportunities and possibilities appear endless. Lucent Technologies has taken an aggressive approach toward its MWBE commitment.

This approach enabled us to meet and exceed our MWBE purchasing goals in our first year. In 1995, in conjunction with AT&T and NCR, we purchased over $1.5 billion in goods and services from our MWBE suppliers.

In 1996, Lucent Technologies alone purchased over $760 million from MWBEs. As we go forward, our commitment to MWBE growth will continue with ever greater enthusiasm. After all, if change is inevitable, let it be for the best, for we are faced with the opportunity of a lifetime.

What is an MWBE?

A minority and/or woman-owned business enterprise, that is at least 51% owned, controlled, and operated by:

- **Men and women who are:**
  - **African Americans**
  - **Hispanic Americans**
  - **Asian Americans**
  - **Native Americans**
  - **Hasidic Jews**
  - **(New York only) or,**
- **Non-minority women**

African American	$ 91.2
Hispanic American	108.5
Asian/Indian American	53.3
Mixed Minority	22.3
Native American	29.0
Asian/Pacific American	81.8
Total Minority (MBE)	$386.1
White Female (WBE)	$375.5
Total MWBE	**$761.6**

Expenditures by Ethnic Group -- Dollars in Millions

MWBE

Leadership Council

The Lucent Leadership Team

The Lucent MWBE Leadership Council members are responsible for developing plans, implementing strategies, enhancing strategic alliances, and serving as catalysts to contribute to their specific Business Unit or Corporate Center goals through the utilization of quality MWBEs.

This Team communicates and implements initiatives that will result in a "Best-in-Class" MWBE business development process that is linked to Corporate and Business Unit strategic goals.

Through their leadership, the utilization of minority- and women-owned business enterprises (MWBEs) is being positioned to be a key factor in creating a competitive advantage for Lucent Technologies.

This group of Business Unit and Corporate Center representatives developed the vision and mission statement. To continue to grow and expand Lucent's global business, the Lucent Leadership team has focused on MWBE as a value-added strategy and established three key objectives. They are:

1. Achieve annual growth in MBE and WBE participation in total Lucent Technologies' purchases and subcontracts.

2. Be recognized as a leader in external supplier management as it relates to diversity and MWBE utilization and business development.

3. Enhance profitability and competitive strategies through MWBE utilization and integrate it into Business Unit and Corporate Center business planning processes.

Ed Tracy, chairman of the Lucent MWBE Leadership Council, states: "This MWBE initiative is just one more example of the tremendous opportunities that are open to us when we're responsive to our customers. I'm very proud of our MWBE results and of the people of Lucent who are working so hard to achieve them."



Lucent MWBE Leadership Council:
(Pictured from left to right) Virginia Hardesty, Joanne Wilson, Ken Nixon, Tim Miller, Marda Higdon, Tom Cantwell, Jose Ramirez, Paula Horii, Ed Tracy, Lo Rooker, Ron Angner, George Casaine, Pete Deschenes, Dewayne Rideout, Mary Cahill, Walt Gibbons

Network Systems

MWBEs Make the Difference for Network Systems

The 1996 total Network Systems program results climbed to $573 million and exceeded the annual commitment goal of $536 million. Direct payments totaled $367 million, Enabled Sales (sales through MWBEs) reached $117 million, Job Specific MWBE inclusion contributed $71 million and Cost Reduction/Cost Avoidance initiatives accounted for $18 million. These results reflect a significant increase of $33 million over 1995 results.



Beverly and Bill Parker, owners of Washington Cable Supply, Inc.

Network Systems' overall MWBE strategy is to utilize MWBE participation within its lines of business. The strategy is a distinctive formula for delivering solutions to our customers' needs. Many of Network Systems' largest customers are at a competitive crossroad and view MWBEs as one of their fastest growing market segments. Network Systems' relationships with MWBEs provide a compelling differentiator when customers make buying decisions.

Innovative Solutions

The innovative solutions offered by MWBEs in meeting customer requirements in addition to their speed and customization capabilities led to the increase in utilization of MWBEs. The MWBE program is, and should continue to be, directly linked to Lucent Technologies' Customer Value Added (CVA) strategy.

Network Systems

"In Reach" means creating MWBE opportunities inside Network Systems. The two teams charged with the responsibility of driving Network Systems' MWBE results are the Executive Council and the MWBE Results Team.

Executive Council

The MWBE Executive Council establishes MWBE policy, drives the program, creates new business opportunities, and provides support for MWBE business development at the executive leadership levels.

Representatives from the NS Customer Teams, the Product Realization Centers, the Global Purchasing Organization, State Government Affairs and Public Relations comprise the Executive Council. The council also provides support and direction for the MWBE Results Team.

The MWBE Results Team

This team is responsible for generating results, developing plans, implementing strategies, enhancing MWBE alliances, communicating successes, and acting as a catalyst to ensure the involvement of MWBEs throughout the value chain. Under the leadership of the Executive Council, the Results Team generates new initiatives, creates deals, and customizes customer partnering and MWBE alliances.

Washington Cable Gives Bell South Long Term Benefits

Washington Cable Supply Inc. (WCSI), an MBE providing product reel - saver "coils" (which are environmentally safe for disposal), was awarded a five-year contract. The total contract, valued at $23 million, represents Lucent Technologies' commitment to providing opportunities for minority business, while also satisfying the needs of the customer, Bell South.

Bell Laboratories

Bell Labs Sets New Record for MWBE Purchasing in '96

Bell Labs continued its record setting MWBE performance in 1996 by passing the 15% mark. Bell Labs began the year with an ambitious goal in mind... to increase MWBE purchases to 14.7% of their overall yearly procurement by year's end. Bell Labs succeeded in surpassing its already lofty goal.

By the end of 1996, MWBE purchases represented 15.7% of all Bell Labs procurement. This represents the highest percentage registered by any of the major Business Units in 1996. By adopting an aggressive policy of MWBE involvement early in the year, Bell Labs proved that there are few limits to developing new and increased MWBE opportunities.

George Casaine, Manager, MWBE for Bell Labs and Network Systems, said, "This outstanding performance can be attributed to the ground work laid by the MWBE Catalyst Team to get the MWBE story to organizations across the Labs."

Bell Team- A Real "Catalyst" in MWBE Involvement

The MWBE Catalyst Team was formed in 1994. Its mission is to serve as a catalyst in moving the MWBE initiative forward in Bell Labs. Its membership is comprised of representatives from each of the technical areas and service areas of Bell Labs. The Catalyst Team delivers the "what" and "why" of our MWBE initiative, and does so in a manner that is producing record results.

Bell Labs' 1996 MWBE Performance Chart



Stellar performances from these organizations helped bring Bell Labs its 1996 MWBE success

Business Communications Systems

MWBEs Value Helps Deliver Customer Satisfaction

Like Lucent Technologies, the BCS initiative is rooted in rich history and has blossomed into a strategic resource during the past three years. As we linked MWBE initiatives to business goals and requirements for daily operations, employees have been extremely satisfied with MWBEs' abilities to add value to their jobs. MWBEs have also contributed greatly to achieving BCS' goals of increased business and customer satisfaction.



Circuit Systems employees in a clean room environment, performing dry film imaging process used in production of printed circuit boards

In response, employees have significantly increased business with MWBEs. These strategic and preferred relationships have enabled us to differentiate our offers and support and exceed customer requirements. As a result, customers have recognized our MWBE successes and awarded BCS additional business because of the support and quality MWBEs deliver. In 1996, MWBE business reached 10.4% of total purchases. Actual purchases totalled $116 million, 140% above the 1993 level. MWBEs generated over $6 million in cost savings, improving the rate of savings to over 6% compared to less than 5% savings for 1995. Employees, in turn, increased utilization of MWBEs by 42%, while achieving the goal of reducing the overall supplier base.

BCS' Supplier of the Year is Circuit Systems, Inc., an Illinois-based MWBE that manufactures single- and double-sided, and multi-layered printed circuit boards. Because of its long-term relationship with Denport South in Shreveport, Louisiana, Glenda Webb of BCS introduced Circuit Systems to Delores Mata, a Buyer-Planner for printed wiring boards (PWBs) at Denport West in Denver, Colorado. As a result of this introduction, Circuit Systems won a contract to supply PBWs to Denport West. Today, Denport West's business with Circuit Systems has grown to over $1 million, in addition to nearly $14 million with Denport South.

In 1994, our customer, the U. S. Department

of Treasury, began a program to step up its commitment to MWBEs. As the prime contractor in the northeast, mid-Atlantic, and southeast regions for the Department of Treasury Telecommunications Services (DOTTS) contracts, we looked for ways to help. Managers Rob Ebert, Paul Marshall, and Rick Smith designed a plan for outsourcing 25% of all telecommunications wiring to MWBEs. In just eighteen months, nearly a dozen MWBE companies had been certified and trained for voice and data communications wiring, allowing BCS to double that commitment.



Custom Design Telephone Systems (CDTS), a Missouri-based firm owned by Pat Rodeheaver, is helping to deliver the DOTTS solution. The opportunity allowed her firm to train more women for technical positions. Treasury honored the solution with a "Special Achievement Award" in 1996, and awarded BCS additional business because of it. Front Row (left to right) Rick Smith, District Manager BCS Federal Markets; Paul Marshall, Senior Program Manager, BCS Federal Markets; Pat Rodeheaver, President and CEO CDTS; T. J. Garcia, DOT; Rose Ziegler, Contracting Officer IRS; Back row (left to right) Mark Swidler, Managing Director, BCS Federal Markets; Tom Forman, Project Manager, CDTS

Consumer Products

Consumer Products Surpasses MWBE 1996 Goals

Consumer Products not only met but exceeded its MWBE goals for 1996. "At the end of 1996, we exceeded our 4% goal," stated Jack Gumersell, Financial Vice President and CFO. "The available figures show that we are at 5.5 %, which means that $11.1 million of the $200 million Consumer Products spent with external suppliers has gone to MWBE vendors. This represents a 53% improvement over our 1995 percentage of procurement."

Gumersell attributes the increase to the implementation of eight "Best Practices," a guideline for increased MWBE participation developed by Consumer Products MWBE Council members. These practices included an outline for purchasing office supplies, making business travel plans, hiring technical contractors and acquiring temporary clerical, administrative and non-payroll workers. "Lucent Technologies puts as much emphasis on the importance of MWBE as AT&T did, and we must continue to honor and deliver on that commitment. Although it isn't firm yet, our goal for 1997 will be similar to this year's. I'm confident that with everyone's full cooperation we will no doubt attain or exceed it."

Team Awards Contract to MWBE and is Rewarded with Big Savings

In 1996, the Cellular Accessories Quality Team was formed. Its purpose was to develop additional contracts for 1996 and improve the Wireless Products Group's bottom line through supplier/management process improvements and a more competitive vendor selection process. The team sent out a Request for Quotation (RFQ) to eight vendors. The request was for quotes on supplying vehicle power adapters and charges for the business in 1996. Based on product quality and competitive pricing, the Team awarded the contract to a new vendor, Superior Cellular Products. Superior Cellular is a minority-owned business enterprise (MBE), located in Corvina, California. The contract's estimated value is $2.5 million, and is expected to save Consumer Products Wireless Products Group 41% over last year's prices, an estimated annual savings of $570,000.

MWBE Association Support

Lucent Committed to Success of Capital Commitment

Capital Commitment is a non-profit training school formed in 1991 in the District of Columbia. Their mission is to train inner-city disadvantaged and unemployed individuals in telecommunication installation, maintenance and repair of residential, commercial and central office switching. Since 1995, Lucent Technologies has provided technical support, product samples and training to their instructors, as well as corporate sponsorship and use of training facilities. With commitment from Lucent and other telecommunications companies, Capital Commitment has graduated 242 students in five years with a 98% placement rate.

"Corporate Plus" A Real Plus for MWBEs

In September of 1996, the National Minority Supplier Development Council (NMSDC) launched their "Corporate Plus" program, to showcase the varied capabilities of national Minority Business Enterprise (MBE) members to major corporations nationwide. Lucent Technologies donated the resources to design and print the Corporate Plus brochure and application form.

Microelectronics Group

MWBEs Help Put "POWER" in Power Systems

Microelectronics Group continued its strong commitment to MWBE suppliers purchasing $148 million or 10.2% of total procurement. Power Systems led the way for Microelectronics and exceeded its MWBE goal again this year.



Amar Kapur, Minority Chairman of NMSDC of Florida, presents award to Bob Koch

Electro Wire, Elk Grove Village, IL (30%) and Washington Cable Supply, Lanham, MD, (15%) account for 45% of the total MWBE dollars. Electro Wire is moving a facility to the Dallas area to facilitate a whole order delivery initiative. Both suppliers furnish specialty cut wire and cable for power applications.

The Enabled Sales concept of MWBE was coined by Power Systems, who developed relationships with MWBEs to act as resellers of Power products. These relationships benefit all parties. Customers receive MWBE credit and, in many cases, lower prices.

Lucent benefits through reduced costs and through the support of small businesses in the community. Distributors purchase and stock Power products and resell them to customers who want MWBE credit. Our sales team works with these distributors to provide leads and sales support. Current contracted distributors include: Sunbelt Telecommunications, Summitline, J-TEE and Telamon.

Many of our customers require value-added services such as engineering, installation or product modification, and prefer to purchase these services through an MWBE company. The following MWBEs provide our customers with VAR services: Beckerle Consulting, Telpro Technologies, CPSI, Majestic Management, and Packaging Solutions.

Lucent's Microelectronics Receives Huge Award from Florida NMSDC

Lucent Technologies' Microelectronics (ME) Group in Orlando was honored as Corporation of the Year by the National Minority Supplier Development Council of Florida. The award is given to the company that best supports the development of minority-owned businesses in the state of Florida.

Director of Manufacturing, Bob Koch, accepted the award at Walt Disney World's Contemporary Resort Hotel. The Orlando ME Group facility was recognized for its successful programs, which enhance business opportunities between Lucent and MBE suppliers.

Koch recognized the efforts of Global Purchasing Organization Manager, Bob Edmunds, and his staff. "This award is a tribute to the dedication of Bob (Edmunds) and his staff to drive our improvements for MWBE suppliers. Our $600 million expansion will allow us to increase our purchasing power in the future."

Awards & Recognition

Lucent's MWBE Program Receives Major Award

The combined Minority and Women's Business Enterprise (MWBE) Program at Lucent Technologies, AT&T and NCR received the 1996 Distinguished Corporate Award at the 14th Annual National Minority Enterprise Development conference in Washington, D.C. The award was presented by U.S. Vice President Al Gore during a White House ceremony. Chosen over 13 other major corporations, Lucent, AT&T and NCR were honored for their "outstanding performance" in promoting minority business growth in the United States in 1995. That year, AT&T, including Lucent Technologies and NCR, did over $1.5 billion in business with 3,500 suppliers nationwide. Dan Carroll, Jr. formerly Chief Procurement Officer for AT&T, and now Vice President, Large Business Markets and Global Provisioning for Lucent's Business Communications Systems, accepted the award on behalf of all three companies.



Dan Carroll, Jr. and
Vice President Al Gore

Lucent Technologies Donates Nearly Half Million to BCF

When the National Minority Supplier Development Council (NMSDC) established a Business Consortium Fund (BCF) in 1989, AT&T loaned the BCF $1 million as part of its original "seed" money. Several years later, we donated part of this loan and accrued interest to the BCF to capitalize a Small Business Investment Corporation (SBIC). In 1996, AT&T and Lucent Technologies jointly donated the balance of the original $1 million loan (or $479,700 each) to the BCF. With Virginia Hardesty, Manager - MWBE Business Development Group, serving on the BCF Board of Directors, Lucent Technologies will continue to foster this long standing relationship.

Corporate Awards

Distinguished Corporation of the Year Award awarded for the combined MWBE programs of AT&T, Lucent Technologies and NCR for "outstanding performance" in promoting minority business in the U.S.

U.S. Department of the Treasury honored Lucent Technologies Business Communications Systems for its 50% increase in its use of minority- and

women- owned businesses.

NMSDC of Orlando, FL awarded Lucent Technologies' Orlando Microelectronics plant its "Corporation of the Year" award.

Omaha MSDC presented an award to Lucent Technologies' Omaha Works for the most MBE dollars spent by any member in 1995.

John Balint, a buyer at our Lisle, IL location was recognized as "Outstanding Buyer" in 1996 by the Minority Business Committee of the Chicago Minority Business Development Council.

Success Stories

Award Winning MWBE on a Mission of Great Service

Ask majority stockholder and president John Glass Jr. what his company's (EverBhan, Inc.) mission is, and he'll tell you "to consistently meet the quality, schedule, and cost objectives of Lucent Technologies." That's just what this quality MWBE supplier has done. EverBhan, a supplier providing precision injection-molded thermoplastic products to Lucent Technologies, is a North Carolina-based company. EverBhan began its relationship with Lucent as a SLC plastic faceplate supplier to our old Winston-Salem plant. When assembly of SLC was transferred to Oklahoma City Works, they inherited the EverBhan alliance and began expanding the business relationship. Currently, EverBhan provides 280 items to OKC Works.



Left to Right: Ed Tracy, GPO Vice President, John Glass, Jr., President of EverBhan and Jim Styring, GPC Vice President

As business volume increased, so has EverBhan's involvement. The supplier now services six other Lucent facilities. The additional business has afforded EverBhan considerable growth in equipment and manpower.

By completing their ISO 9002 Certification, they now qualify to expand into International markets. EverBhan's outstanding customer service, aggressive cost-reduction program and commitment to a long-term relationship with Lucent Technologies, has earned the company a 1996 Partners In Excellence Award.

WBE Saves Network Systems on VDT Project

Purchasing Buyer Marilyn Lahman of Naperville, IL was instrumental in the awarding of a one-year contract to Irwin Utilities of Texas, a 100% woman-owned business based in Dallas, TX. The first year resulted in $2,600,000 in WBE payments. Additional savings were realized through price reductions. Composite pricing (pricing for one unit that includes multiple unit functions for a combined price) resulted in economies

of over $600,000 annually for the Network System's Video Dial Tone (VDT) Project.

Lucent Takes MBEs to School

Two of Lucent's recommended suppliers ASELCO and Washington Cable Supply Inc., attended the first Advanced Management Education Program offered by the NMSDC in conjunction with the Kellogg Graduate School of Business at Northwestern University. This course is designed to assist minority businesses to go to the next level in the supplier chain through prime contracting or strategic partnering with their corporate customers.

MWBE

On The Move

Teamwork Pays Off for MWBE and GTE Gets the Savings

A well deserved "congratulations" goes to Rosa Zuniga-Green, President of Cross Mod Investments, Inc., doing business as Cabletec Services. Cabletec Services, a Hispanic, female- owned and operated company, was awarded a $1 million contract to provide aerial and underground construction for the GTE Multi-media project in Ventura County, CA. Cabletec's competitive pricing resulted in savings of $202,770 in just four months.



Rosa Zuniga-Green, President of Cabletec Services

Rosa, along with her staff, is a true team player and consistently provides a top quality product in a timely manner. From mandatory safety training for all employees, to regular communication with the Project Manager, Rosa remains a consistent overseer of work flow, problem resolution and timely invoice generation. Both the Project Management Group and the customer greatly appreciate Rosa's administrative skills and dedication to detail.

Lucent Benefits From its Relationship with Far East

Far East Enterprises came to Columbus Works with a stellar reputation as Lucent Technologies' Denver Works "Supplier of the Year." So it was no surprise when Far East provided Columbus Works with pricing on three Printed Wiring Boards (PWBs), that resulted in $500,000 in savings. In addition to the savings, Far East agreed to place the boards on consignment and, in effect, assume $2 million of Lucent Technologies' investment. Far East Enterprises is a prime example of a supplier working together with Lucent to support lower costs and leading edge procurement consignment goals.

MBE offers Microelectronics a Hi-Tec Solution

Hi-Tec Associates, Inc., a Hispanic male-owned company, was providing drafting and design services for Advanced Dzign Systems, Inc. (A company doing business

directly with Lucent Technologies.) Through Hi-Tec's subcontractor arrangement with Advanced Dzign, only second tier minority dollar credits would be applicable. As a result of negotiations with Advanced Dzign Systems, Lucent was allowed to make direct payments to Hi-Tec Associates, achieving first tier dollar credits. As a result of this arrangement, expected total payments have increased from $750,000 to $2,300,000.

Lucent Technologies Showcases MWBE Benefits

At the largest communications trade show in the U.S., Supercom '96 in Dallas, TX, Lucent Technologies hosted a seminar demonstrating the benefits of teaming up with minority- and women-owned businesses. Walt Gibbons, Network Systems' Business Assurance Vice President, led a panel discussion on MWBE strategies which include joint ventures, technology transfer, subcontracting, network ownership, and service provisioning.

In a similar situation, Ken Uyl of Lucent's Global Purchasing Organization, was a panelist in a workshop entitled "Satisfying Customer Requirements via MWBE Utilization", which was offered at the National Association of Purchasing Managers (NAPM) International Conference.